

**DEPARTMENT OF HOUSING AND COMMUNITY DEVELOPMENT
DIVISION OF FINANCIAL ASSISTANCE
FEDERAL PROGRAMS BRANCH**

Community Development Block Grant (CDBG) Program

1800 Third Street, Suite 330
P. O. Box 952054
Sacramento, CA 94252-2054
(916) 552-9398
FAX (916) 319-8488



CDBG

Community Development Block Grant Program

MANAGEMENT MEMORANDUM

Memorandum Number 11-04

DATE: June 24, 2011

TO: Non-Entitlement Jurisdictions Eligible for the State Community Development Block Grant (CDBG) Program

SUBJECT: New Program Income (PI) Policy for Calculating Allowable General Administration (GA) and New PI Reporting Forms

The purpose of this Management Memo is to implement a new Program Income (PI) policy for the State's CDBG Program, and to transmit a new Program Income Semi-Annual and Annual Report form.

The New Policy

Effective immediately, the 18 percent (18%) of PI that may be spent on General Administration (GA) will be calculated on PI received, rather than expended. Also, unexpended PI GA will roll to subsequent fiscal years. You will also be able to go back to the beginning of the fiscal year (July 1, 2010) to recalculate the amount of available PI GA (more details below).

Additionally, effective the fiscal year starting July 1, 2011, PI Reports will be submitted semi-annually, with the final submission of the year consisting of both the second semi-annual report and the annual report. The first semi-annual report will be due January 31. The final semi-annual plus the annual report will be due July 31. **The reports will only be accepted electronically.**

As well, a jurisdiction may move PI GA out of GA for the purpose of funding a CDBG Eligible Activity. Transfers, however, are permanent and one-way only; therefore, PI Activity funds may never be transferred back to PI GA to replace the amount transferred out. For calculation purposes, CDBG PTA is considered GA under PI and must, outside of grant funding, be funded only out of PI GA.

Also effective immediately, and until further notice, there will be no holdouts for reasons of PI balance. There will be future notice in the form of changes to the Grant Management Manual (GMM) Program Income Chapter, another CDBG Management Memo, or a future NOFA to indicate how high PI balances will be managed by the Department.

Finally, if a jurisdiction has a large amount of PI on-hand, the State may not permit the jurisdiction to take the full 18% for PI GA. This will only occur when: a) the jurisdiction had a large amount of unexpended PI on hand; and, b) this same amount has been on hand for an extended period of time.

The New Forms

In an effort to simplify PI reports, we are releasing a new CDBG PI Reporting form, created in an Excel Workbook that has three tabs: one for each of the two Semi-Annual PI Reports and one for the Annual Report.

- The Workbook will complete the calculations for you in the blue boxes once you enter the required information in the yellow boxes.
- The Workbook will keep cumulative totals running in the Annual Report tab.
- The forms must only be submitted to the department **electronically via an email to:**
 - 1) CDBG@hcd.ca.gov;
 - 2) The ED or General Representative depending on what type of PI is being reported; and,
 - 3) The person at the jurisdiction that is considered the Authorized Representative, if that person is not the Preparer.

The workbook is available at the HCD website, in the GMM Program Income Chapter location:

<http://www.hcd.ca.gov/fa/cdbg/manual/chapter14.html>

The Department is confident that these policy changes and revised forms will improve the administration and reporting of PI for both the Grantees and the Department. If you have any questions, please don't hesitate to contact your HCD Representative for assistance.

Training: Webinars

We will be conducting four PI form training webinars before the end of July. Registration information will be provided by the Department to all interested parties.

To Complete 2010/11 Fiscal Year Reporting

In the Webinar Training, we will provide training on the form and then show you how to populate the new forms with the correct information. To get to the correct first Beginning PI GA Balance, Jurisdictions will go back to the end of the prior fiscal year (June 30, 2010) and calculate the PI GA based on their ending balance, plus all PI received during the present fiscal year. (See example below). This will give you the Total PI calculation; 18% of that is what is allowable as PI GA. *PI GA remaining at the end of the fiscal year will remain as PI GA into the following fiscal years until expended.*

Example:

PI balance on hand June 30, 2010	\$200,000
PI received July 1 through June 30, 2011	\$40,000
Total PI on hand	\$240,000
18% allowable for GA	\$43,200
Less GA already spent July 1, 2010 to June 30, 2011	-\$7,000
Ending Balance for June 30, 2011 and Beginning Balance for July 1, 2011	\$36,200

Thus, in this example there is \$36,200 available for General Administration expenses to be carried over to the next fiscal year (July 1, 2011 to June 30, 2012). Unspent PI GA is never lost; it continues to roll forward from year to year if there is a remaining balance as of June 30th.

Future Changes for Discussion and Comment

The Department is actively looking at revising the GMM Program Income Chapter to make improvements in how the CDBG PI funds are managed at the local level.

Examples:

1. PI Holdout Changes – Should PI balances continue to be a holdout criterion, and if so under what circumstances?
2. PI Expenditure Rate – At what point should the State exercise its statutory authority to require return of PI to the State?
3. PI Waiver – How do we continue the waivers, or replace them with an equally useful process? Should we alter the waiver process based on the proposed Super-NOFA process?

We would like your comments on the items above, and on any other PI subject of interest. Please send your comments to cdbg@hcd.ca.gov (Subject: Program Income).